

സർക്കുലർ 74/2020

വിഷയം:- നബാർഡിന്റെ നിർദ്ദേശ പ്രകാരം സംസ്ഥാന സഹകരണ കാർഷിക ഗ്രാമ വികസന ബാങ്ക്/ പ്രാഥമിക സഹകരണ കാർഷിക ഗ്രാമ വികസന ബാങ്കുകൾ - വരവിന്റെ അംഗീകാരം - ആസ്തികളുടെ തരം തിരിച്ചിൽ, പ്രൊവിഷൻ സൃഷ്ടിക്കുന്നതിനുള്ള മാനദണ്ഡങ്ങൾ - സർക്കുലർ പുറപ്പെടുവിക്കുന്നത് സംബന്ധിച്ച്.

- പരാമർശം:-
1. നബാർഡ് ഡെപ്യൂട്ടി ജനറൽ മാനേജരുടെ 10.06.2020 ലെ NB(Kerala)Dos-15/340/RCS Corres/2020-21 നമ്പർ കത്ത്.
 2. നബാർഡ് മാനേജിംഗ് ഡയറക്ടറുടെ 19.06.1997 ലെ NB.DOS.LDB/1/97-98 നമ്പർ സർക്കുലറും, N.B. Dos/HYD/LDB/POL/1275/P57/(A)/97-98 നം. കത്ത്.
 3. നബാർഡ് സി.ജി.എം. ന്റെ 09.03.2005 ലെ N.B. DOS.H.O.POL/4622/J1/2004-05 നമ്പർ കത്ത്.
 4. നബാർഡിന്റെ 07.03.2005 ലെ N.B. DOS.H.O. POL/4600/J-1/2004-05 പ്രകാരമുള്ള 37/DOS - 3/2005 സർക്കുലർ.
 5. സഹകരണ സംഘം രജിസ്ട്രാറുടെ 30.07.1993ലെ 51/93 നമ്പർ സർക്കുലർ.
 6. സഹകരണ സംഘം രജിസ്ട്രാറുടെ 21.01.2016 ലെ 02/2016 നമ്പർ സർക്കുലർ

കേരള സംസ്ഥാന സഹകരണ കാർഷിക ഗ്രാമവികസന ബാങ്ക്/ പ്രാഥമിക സഹകരണ കാർഷിക ഗ്രാമ വികസന ബാങ്കുകൾ എന്നിവയ്ക്ക് ഏകീകൃത രീതിയിൽ ആദായത്തിന്റെ അംഗീകാരം (Income Recognition), ആസ്തികളുടെ തരംതിരിച്ചിൽ (Assets Classification), പ്രൊവിഷൻ സൃഷ്ടിക്കൽ (Provisioning) എന്നിവയ്ക്ക് സഹായകമാകുന്ന രീതിയിൽ Prudential Norms നടപ്പിലാക്കുന്നതിന് മാർഗ്ഗ നിർദ്ദേശം നൽകുന്നതും സംബന്ധിച്ച് സൂചന (5) പ്രകാരം പുറപ്പെടുവിച്ചിരുന്ന ഉത്തരവ്, നബാർഡിന്റെയും റിസർവ് ബാങ്ക് ഓഫ് ഇന്ത്യയുടെയും മാർഗ്ഗനിർദ്ദേശങ്ങൾ അനുസരിച്ചുള്ളതല്ലായെന്ന് നബാർഡിന്റെ ഡെപ്യൂട്ടി ജനറൽ മാനേജർ സൂചന (1) പ്രകാരം അറിയിച്ചിരിക്കുന്ന സാഹചര്യത്തിൽ 2020-21 സാമ്പത്തിക വർഷത്തെ ആഡിറ്റ് മുതൽ സൂചന (2),(3) എന്നിവ പ്രകാരം നബാർഡ് പുറപ്പെടുവിച്ചിട്ടുള്ള മാർഗ്ഗനിർദ്ദേശങ്ങൾ പാലിക്കണമെന്ന് കർശനമായി നിർദ്ദേശം നൽകുന്നു. (പരാമർശം (2),(3) സർക്കുലറുകൾ ഇതോടൊപ്പം ഉള്ളടക്കം ചെയ്യുന്നു.)

സഹകരണ വകുപ്പിലെ ആഡിറ്റർമാർ 2020-21 വർഷത്തെ ആഡിറ്റ് മുതൽ ഈ സർക്കുലർ നിർദ്ദേശപ്രകാരം തന്നെ ആഡിറ്റ് ചെയ്യുന്നു എന്ന് ബന്ധപ്പെട്ട നിയന്ത്രണ ഉദ്യോഗസ്ഥർ ഉറപ്പാക്കേണ്ടതാണ്. പരാമർശം (5),(6) പ്രകാരമുള്ള സർക്കുലറുകൾ ഇതോടുകൂടി കേരള സംസ്ഥാന സഹകരണ കാർഷിക ഗ്രാമ വികസന ബാങ്ക്/പ്രാഥമിക സഹകരണ കാർഷിക ഗ്രാമ വികസന ബാങ്കുകൾ എന്നിവയ്ക്ക് ബാധകമല്ലാതാകുന്നതാണ്.

ഒപ്പ്/-

ഡോ. നരസിംഹഗരി.റ്റി.എൽ.റെഡ്ഡി. ഐ.എ.എസ്
സഹകരണ സംഘം രജിസ്ട്രാർ

പകർപ്പ്:-

1. സഹകരണ ആഡിറ്റ് ഡയറക്ടർ, സഹകരണ ആഡിറ്റ് ഡയറക്ടറേറ്റ്.
2. മാനേജിംഗ് ഡയറക്ടർ, കേരള സംസ്ഥാന സഹകരണ കാർഷിക ഗ്രാമ വികസന ബാങ്ക്, തിരുവനന്തപുരം.
3. കേരള സംസ്ഥാന സഹകരണ കാർഷിക ഗ്രാമ വികസന ബാങ്ക്, കൺകറന്റ് ആഡിറ്റർ/ജോയിന്റ് ഡയറക്ടർ.
4. എല്ലാ സഹകരണ സംഘം ജോയിന്റ് രജിസ്ട്രാർമാർക്കും.
5. എല്ലാ സഹകരണ സംഘം ജോയിന്റ് ഡയറക്ടർമാർക്കും.
6. എല്ലാ അസിസ്റ്റന്റ് രജിസ്ട്രാർ/അസിസ്റ്റന്റ് ഡയറക്ടർമാർക്കും.
7. സെക്രട്ടറി/കൺകറന്റ് ആഡിറ്റർ/എല്ലാ പ്രാഥമിക സഹകരണ കാർഷിക ഗ്രാമ വികസന ബാങ്കുകൾ.
8. സഹകരണ സംഘം രജിസ്ട്രാറുടെ മേശപ്പുറത്ത്.
9. എല്ലാ അഡീഷണൽ രജിസ്ട്രാർമാരുടെയും മേശപ്പുറത്ത്.
10. സഹകരണ വീഥി, സഹകരണ ജേർണൽ(പ്രസിദ്ധീകരണത്തിന്)
11. വെബ് സൈറ്റ്(പ്രസിദ്ധീകരണത്തിന്)
12. സ്റ്റോക്ക് ഫയൽ/സ്പെയർ

// ആജ്ഞാനുസരണം //



അസിസ്റ്റന്റ് രജിസ്ട്രാർ (സി.എൽ.റ്റി)

CLT

By Hand Dated

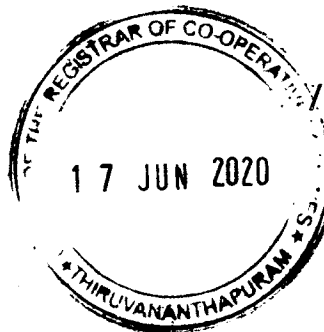
17/3/18/2020



Ref.NB(Kerala)/DoS-15/340 /RCS Corres./2020-21

10 June 2020

The Registrar of Cooperative Societies
Government of Kerala
Sahakarana Bhawan
Thycaud PO
Thiruvananthapuram



CONFIDENTIAL

Dear Sir

Cooperation Department – Tirur PCARDB – Objection in Treatment of Penal Interest in Audit Report – Revision of RCS circular No.51/93 dated 30 July 1993.

Please refer to your letter No. C.L.T (2)1194/19 dated 21 May 2020 wherein NABARD's opinion was sought for revision of RCS Circular No.51/93 dated 30 July 1993 in the light of Government of Kerala's order No. GO (Rt) No.179/2020/Co-op. dated 19 March 2020.

In this connection, we advise that the Income Recognition, Asset Classification and Provisioning norms (IRACP) and other related matters were examined by NABARD in consultation with RBI and made applicable to SCARDBs/PCARDBs with effect from 01 April 1997. Detailed guidelines on prudential norms applicable to SCARDBs/PCARDBs were issued by NABARD vide circular No.NB.DOS/HYD/POL/1275/P57 (A)/1997-98 dated 19 June 1997 and revision in the norms were issued vide Circular Nos. NB.DoS.HO.POL/4600 & 4622/J-1/2004-05 dated 07/09 March 2005 (copy of circulars enclosed for ready reference). Further, as per the Standard Accounting practices and ibid guidelines also, the penal interest actually collected by banks is a realized "other income" and should be routed through Profit and Loss Account and appropriation of profit if any to reserves, may be done after tax and as per the provisions of Act and bye-law.

In view of the above, you may review the circular dated 30 July 1993 and issue fresh guidelines to KSCARDB/PCARDBs in accordance with the ibid circulars issued by NABARD.

Yours faithfully

(H MANOJ)

Deputy General Manager

Encls : As above

राष्ट्रीय कृषि और ग्रामीण विकास बैंक

National Bank for Agriculture and Rural Development

केरल क्षेत्रीय कार्यालय, पुन्नन रोड, स्टेच्यू, तिरुवनंतपुरम-695 001, फोन: (0471) 2701600/2701700 फैक्स: (0471) 2324358 ई-मेल: trivandrum@nabard.org
Kerala Regional Office: Punnen Road, Statue, Thiruvananthapuram - 695001 Tel : (0471) 2701600/2701700 Fax : (0471)2324358 email :trivandrum@nabard.org

19 June 1997

The Managing Director
All SCARDBs

Dear Sir,

**Income Recognition, Assets Classification, Provisioning
and other Related Matters**

With a view to preparing the profit and loss account and balance sheet, reflecting Bank's actual financial health, a proper system for recognition of income, classification of assets and provisioning on a prudential basis is necessary. The prudential norms of income recognition should be objective and based on the record of recovery rather than on any subjective consideration. Similarly, the classification of assets has to be done on the basis of objective criteria which would ensure a uniform and consistent application of norms. As regards provisioning requirements, adequate provisions should be made on the basis of classification of assets into four different categories i.e., standard, sub-standard, doubtful and loss assets.

2. As you are aware, prudential norms have already been made applicable to commercial banks, primary Urban Co-operative Banks, SCBs/CCBs and RRBs. The feasibility of making the above prudential norms applicable to SCARDBs/PCARDBs with suitable modifications, has been examined in consultation with RBI and it has been decided that the prudential norms should be made applicable to SCARDBs/PCARDBs with effect from 01 April 1997, i.e., the accounting year 1997-98. Detailed guidelines on prudential norms applicable to SCARDBs/PCARDBs are given in the annexure.

3. The requirements of State Co-operative Societies Acts and or Rules

made thereunder or other statutory enactments may continue to be followed if those are more stringent than the guidelines now being prescribed.

4. The SCARDBs are advised to circulate the guidelines among all PCARDBs/SCARDBs branches for adoption, if necessary in the local language. They should also ensure that these guidelines are properly followed and implemented by PCARDBs.

5. Each PCARDB/branch of SCARDB should undertake the exercise of classification of assets on a case-by-case basis, making suitable provision for the same and the entire exercise should be verified by competent officials from the internal inspection department/controlling offices of the bank concerned. The banks should also get the classification etc., verified by the statutory Auditors and certification to this effect may be obtained from them.

6. A copy of this letter is being sent to the Secretary (Co-operation) the RCS and Chief Co-operative Auditor of your State/Union Territory for information with a request to advise the Statutory/Departmental Auditors of SCARDBs to ensure compliance of the guidelines, at the time of annual audit.

7. Please acknowledge receipt of this circular to the concerned Regional Office of NABARD under whose jurisdiction your bank falls. Clarification, if any, can be sought from the respective ROS.

Yours faithfully

Sd/-

(P. V. A. RAMA RAO)

Managing Director

Encl : 7 pages (163 to 169)

ANNEXURE

Guidelines on prudential norms for SCARDBs/PCARDBs Income Recognition, Asset Classification and Provisioning Norms

I. Income Recognition Norms

- (i) The prudential norm for income recognition should be based on the record of recovery and therefore unrealised income should not be taken to profit and loss accounts by SCARDBs/PCARDBs. However, in the case of certain States where the State Co-op. Act/Rules/Audit Manual provide for taking such unrealised interest to the income head in the Profit and Loss Account, it is necessary for those SCARDBs/PCARDBs to make full provisioning for equivalent amount by charging to Profit and Loss Account. In other words, the SCARDBs/PCARDBs which are charging interest on all overdue loans and if such interest remains unrealised, the same may be taken to income account provided matching provision is fully made for the same by charging to P & L Account. Accrued interest taken to income account in the previous year should also be provided in full in case the same becomes overdue during the current year.
- (ii) Fee, commission and other income may be treated as income only when the account is classified as standard. Besides, a matching provision should be created to the extent such items were treated as income in the previous year but not realised in the subsequent year.
- (iii) Fees and commission earned by banks as a result of renegotiation or scheduling of outstanding debts should be recognised on an accrual basis over the period of time covering the renegotiated loan or rescheduling of credit facilities.
- (iv) Even in case of credit facilities backed by Government guarantee, overdue interest can be taken to P & L Account only if matching provision is made.

II. Norms for treating loans/advances etc., as NPA for the purpose of Asset Classification

(a) Definition of Non-Performing Asset (NPA)

A Non-Performing asset (NPA) is defined generally as a credit facility in respect of which interest or instalment of principal has become past due. A credit facility may be treated as 'past due' when it remains outstanding for a period of 30 days after due date. For instance, if due date for payment of interest/principal is 31 March, then loan becomes past due as on 30 April.

(i) Treatment of Term Loans

Term loans for agricultural purposes may be treated as NPA if interest or installments of principal amount remained past due for two crop seasons covering two half years. In case of term loans for non-agricultural purposes (allied agricultural activities and non-farm sector activities) an asset may be defined as NPA if interest or installment of principal amount remained as past due for two quarters or more.

In case of all term loans, the entire loan outstanding may be treated as NPA, even if there is default in payment of interest/installment.

(ii) Project/Housing Loans etc.

In case of projects (industry, fisheries, plantations, etc.,) where moratorium is given for repayment, the loan becomes due only after moratorium or gestation period is over i.e., NPA criteria will be applicable only after the gestation period or moratorium ends. Similarly, in the case of housing loans or similar advances granted to staff members where interest is payable after recovery of principle, such loans should be classified as NPA when the principal becomes 'past due'.

(iii) Treatment of different facilities to borrower as NPA

In case of SCARDBs with federal structure, the facility which has

become irregular should only be treated as NPA and all other facilities sanctioned to the same PCARDB should not be classified as NPA.

However, at PCARDB/SCARDB branch level where loans are given to the ultimate borrower all the facilities granted to a borrower may be treated as NPA, even if any one of the facility becomes irregular.

III. Norms for Asset Classification

Criteria for classification of assets

It is essential that before classifying the assets it should be decided whether an asset is NPA or not on the basis of above mentioned criteria in Para II. Thereafter, classification of loans is required to be done into four categories, as under :

(i) Good / Standard assets

A standard asset is one which does not disclose any problem and which does not carry more than the normal risks attached to any business. Thus, in general, all the current loans may be treated as standard assets. Further, all loans for agricultural activities may be treated as standard assets if repayment period for the same is scheduled/rephased, in the event of natural calamity, etc., as per NABARD/RBI guidelines.

(ii) Sub - Standard Asset (SSA)

A non-performing asset may be classified as sub-standard on the basis of the following criteria :

- a) An asset which has remained overdue for a period not exceeding 3 years in respect of both agricultural and non-agricultural loans should be treated as sub-standard.
- b) In case of term loans, where installments are overdue for a period not exceeding 3 years, the entire loan outstanding should be classified as sub-standard and not the defaulted installments alone.

- c) An asset, where the terms and conditions of the loans regarding payment of interest and repayment of principal have been renegotiated or rescheduled, after commencement of production, should be classified as sub-standard and should remain so in such category for at least two years of satisfactory performance under the renegotiated or rescheduled terms. In other words, the classification of an asset should not be upgraded merely as a result of rescheduling unless there is satisfactory compliance of the above condition.

(iii) Doubtful Assets

A Non Performing Asset may be classified as doubtful on the basis of the following criteria :

- 7346
- a) An asset which has remained overdue for a period exceeding 3 years in respect of both agricultural and non-agricultural loans should be treated as doubtful.
- b) In case of term loans, where installments are past due for more than 3 years, entire outstanding in the term loan account should be treated as doubtful.

(iv) Loss Assets

Loss assets relating to the loans and advances portfolio are those where loss is identified by the bank/auditor/RBI/NABARD inspectors but the amount has not been written off wholly or partly. In other words, an asset which is considered unrealisable and/or of such little value that its continuance as a doubtful asset is not worthwhile, should be treated as a loss asset. Such loss assets will include past due loans in cases :

- (a) Where decrees or execution petitions have been time barred or documents are lost or no other legal proof is available to claim the debt,
- (b) Where the members and their sureties are declared insolvent or have died leaving no tangible assets,

- (c) Where the members have left the area of operations of the SCARDB/PCARDB leaving no property and their sureties have also no means to pay the dues,
- (d) Where the loan is fictitious or when gross misutilisation is noticed,
- (e) Where the assets financed are totally destroyed and borrower has no other means to repay the loan,
- (f) Where the title to the security is defective and as such cannot be legally proceeded against,
- (g) Where loan liability itself is disputed and
- (h) Where loans which have become infructuous and subsidies or compensation had not been adequate.

IV. Provisioning Norms

i) Provisioning is necessary considering the erosion in the value of security charged to the banks over a period of time. Therefore, after the loan assets are classified into various categories (viz., standard, sub-standard, doubtful and loss assets) necessary provision has to be made for the same. The details of provisioning requirements in respect of various categories of assets are mentioned below :

(i) Standard Assets

No provision is required to be made.

(ii) Sub-Standard Assets

A general provision of 10% of total outstandings in this category may be made.

(iii) Doubtful Assets

- a) 100% provision is to be made of the extent to which the advance is not covered by realisable value of securities to which the bank has a valid recourse and the realisable value is estimated on a realistic basis.

- b) Over and above (a), provision is to be made depending upon the period for which an asset has remained overdue/NPA, 20% to 50% of the secured portion (i.e., estimated realisable value of the outstandings) on the following basis.

Criteria	Provision to be made
Overdues above 3 years and upto 4 years	20%
Overdues over 4 years, but not exceeding 6 years	30%
Overdues exceeding 6 years	50%

iv) Loss Assets

The entire loss asset should be written off. If the assets are permitted to be retained in the books of account for any reason, 100% of the outstandings thereof should be fully provided for.

- 2) The following aspects, however, may be kept in view while making provisions.

(i) Agricultural loans as secured

All agricultural loans may be treated as fully secured as the same are disbursed against charge on land as provided in the respective State Co-operative Societies Acts/Rules.

(ii) Treatment to PF and Gratuity amount

Liabilities towards PF and gratuity should be estimated on actuarial basis and fully provided for.

(iii) Loans exempted from provisioning

SCA 27b
Loans guaranteed by Government should not be classified as NPA/overdue and therefore no provision is required to be made in respect of such advances.

Loans granted against fixed deposits, NSCs eligible for surrender, IVP, KVP, LIC policies, etc., are not to be classified as NPA

and therefore are exempted from provisioning.

(iv) Loans against gold/Govt. securities

Advances against gold ornaments, government securities and all other kinds of securities are not exempted from provisioning requirements,

(v) Depreciation in Investments-accounting procedure

The investment portfolio of a bank would normally consist of both approved securities (predominantly Government securities) and other securities (share, debentures and bonds of co-operative and other institutions). Investments in approved securities should be bifurcated into permanent and current investments.

Permanent investments are those which banks intend to hold till maturity and current investments are those which banks intend to deal in i.e., buy and sell on a day-to-day basis. As the depreciation in respect of permanent investments is not likely to affect their realisable value on maturity, depreciation need not be provided for investments in the permanent category. Investments under current category should be valued at lower of the cost value or market value, on a consistent basis. Depreciation in the current investments, if any, should therefore be fully provided for. Banks following a more prudent method of valuation (eg. showing only realisable value) should continue to do so and there should be no slip-back in their case.

Investments should be shown in the balance sheet net of depreciation. It is, however, open to banks to show the book value of investments, the depreciation thereagainst and the net amount of investments separately.

As regards valuation of securities other than approved securities, they should be valued at lower of cost price or market value. Investments in the shares of co-operative institutions, however, may be valued at carrying cost price.

Circular No. 40 /DoS- 4 /2005

The Registrar of Cooperative Societies/
Directorate of Cooperative Audit,
Government of Gujarat / Karnataka / Madhya Pradesh /
Orissa / Punjab / Haryana / Bihar / Tamil Nadu / Assam /
Manipur / Tripura / Rajasthan / Jammu & Kashmir /
West Bengal / Uttar Pradesh / Maharashtra / Chhattisgarh /
Himachal Pradesh / Kerala / UT of Pondicherry

Dear Sir,

**Prudential Norms of Income Recognition, Assets Classification
and Provisioning for SCARDBs/PCARDBs - Revision in norms**

As you are aware the prudential norms of Income Recognition, Asset Classification and Provisioning were made applicable to the State Cooperative Agriculture and Rural Development Banks and Primary Cooperative Agriculture and Rural Development Banks, vide our Circular No.NB.DoS. HYD.Pol/ 1275/P.57(A)/ 97-98 [Circular No. NB. DoS. LDB/ 1/ 97-98] dated 19 June 1997, from the year 1997-98. For a consistent and uniform approach towards all segments of the cooperative banking system, the guidelines have since been reviewed and it has been decided, in consultation with Reserve Bank of India and approval of the Board of Supervision, to bring about certain revisions in the norms with effect from 31 March 2005. These have been advised to the SCARDBs, vide Circular No.NB.DoS.HO.POL.4600/J.1 /2004-05 [Circular No.37/DoS-3/2005] dated 7 March 2005.

2. As you are aware, several deficiencies in the implementation of prudential norms by the SCARDBs/PCARDBs have been observed both in the inspections conducted by NABARD and in the statutory audits. We, therefore, request you to kindly advise the statutory auditors of SCARDBs/PCARDBs to verify the compliance with the revised guidelines at the time of annual audit and certify as regards adherence to the norms in the audit reports. If necessary, our Regional Office may be approached for conducting a Workshop, where all the related aspects can be discussed/clarified to all concerned.

3. Please acknowledge receipt.

Yours faithfully,

Sd/-

(D. B. Gore)
Chief General Manager

Circular No. 37 /DoS- 3 /2005

The Managing Director
All State Cooperative Agriculture and
Rural Development Banks

Dear Sir,

**Prudential Norms of Income Recognition, Assets
Classification and Provisioning - Revisions in norms**

Please refer to our Circular No.NB.DoS.HYD.Pol.1275/P.57(A)/97-98 [Circular No.NB.DoS.LDB/1/97-98] dated 19 June 1997 enclosing the guidelines on prudential norms of Income Recognition, Asset Classification and Provisioning for adoption by the SCARDBs and PCARDBs from the year 1997-98. Subsequently, several changes in the norms have been effected in respect of the State / Central Cooperative Banks and the Regional Rural Banks. It has now been decided, in consultation with RBI, and approval of the Board of Supervision, to extend some of the changes in prudential norms to the SCARDBs and PCARDBs. The revised norms for adoption with effect from 31 March 2005, along with the existing norms, are given below:

Sr. No.	Existing norms	Revised norms
1	<p>Past due concept</p> <p>A Non-Performing Asset is defined as a credit facility in respect of which interest or principal has become 'past due'. A credit facility is treated as 'past due' when it has remained outstanding for a period of 30 days after due date.</p>	<p>Due to improvement in the payment and settlement system, it has been decided to dispense with 'past due' concept, with effect from 31 March 2005. Accordingly, as from that date, a NPA shall be a credit facility where:</p> <p>(i) Interest and/or instalment of principal remain overdue for a period of more than <u>180</u> days in respect of a term loan,</p> <p>(ii) Interest and/or instalment of principal remain overdue for two crop seasons in case of short duration crops and for one crop season for long duration crops, in the</p>

NPA

		<p>case of advances granted for agriculture purpose.</p> <p>(iii) any amount to be received remains overdue for a period of more than <u>180 days</u> in respect of other accounts.</p>
2	Provision for Standard assets Currently, SCARDBs / PCARDBs are not required to make provisions on Standard assets.	A general provision at a minimum rate of <u>0.25%</u> should be made on standard assets effective from 31 March 2005.
3	Upgradation of rescheduled accounts An asset, where the terms and conditions of the loans regarding payment of interest and repayment of principal have been renegotiated or rescheduled, after commencement of production, should be classified as sub-standard and should remain so in such category for at least two years of satisfactory performance under the renegotiated or rescheduled terms.	The waiting period of two years has been reduced to <u>one year</u> (or four quarters) provided the interest and instalment of loans have been serviced regularly as per the terms of rescheduling.
4	Definition of crop harvest seasons (For ST loans) (i) Term loans for agriculture purposes may be defined as NPA if interest or instalments of principal amount remained past due for two crop seasons covering two half years.	The crop season norm has been revised as under: (i) A loan granted for short duration crops will be treated as NPA, if the instalment of principal or interest thereon remains overdue for two crop seasons. (ii) A loan granted for long duration crops will be treated as NPA, if the instalment of principal or interest thereon remains overdue for one crop season. For the purpose of these guidelines, "long duration" crops would be crops with crop season longer than one year and crops which are not "long duration" crops would be treated as "short duration" crops. The crop season for each crop, which means the period upto harvesting of the crops raised, would be as determined by the State Level Bankers' Committee in each State.

5	<p>Adoption of 90 days norm for asset classification</p> <p>In case of term loans for non-agriculture purpose (activities allied to agriculture and non-farm sector activities), an asset may be defined as NPA if interest or instalment of principal amount remained as past due for two quarters or more.</p>	<p>The waiting period of 180 days for classification of all advances for Non-Farm Sector as NPA has been reduced from 180 days to 90 days. Accordingly, a loan or an advance granted for Non-Farm Sector purpose shall become NPA where:</p> <ul style="list-style-type: none"> • interest and/or instalment of principal remain overdue for a period of more than 90 days in respect of a term loan; • any amount to be received remains overdue for a period of more than 90 days in respect of other accounts. <p>The additional provisions may be made in a phased manner starting from 31 March 2005 as indicated below:</p> <ul style="list-style-type: none"> • 25% of the additional provisions to be provided by 31 March 2005, • 50% of the additional provisions to be provided by 31 March 2006, and • 100% of the additional provisions to be provided by 31 March 2007.
6	<p>State Government guaranteed advances</p> <p>Advances guaranteed by State Governments need not be classified as NPAs.</p>	<p>The norms for asset classification and provisioning for advances and investments guaranteed by State Governments shall be the same as <u>applicable to advances and investments not guaranteed by State Government.</u> The same may however be implemented in a phased manner as indicated below:</p> <p>State Government guaranteed advances, and investments in State Government guaranteed securities, would attract asset classification and provisioning norms, if interest and/or principal or any other amount due to the bank remains overdue:</p>

		<ul style="list-style-type: none"> • for more than 180 days with effect from 31 March 2006 and • for more than 90 days with effect from 31 March 2007.
--	--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

2. All other instructions contained in our Circular dated 19 June 1997 remain unchanged.

3. The SCARDBs are advised to circulate, if necessary in local language, the modifications in prudential norms as above among all PCARDBs / Branches of SCARDBs for timely adoption. They may also ensure that the revised norms are properly followed and implemented by PCARDBs / Branches. In this connection it may be added that many deficiencies in asset classification and shortfalls in provisioning have been observed during the inspections conducted by NABARD, which needs to be rectified with prompt follow up action, while finalising the accounts for the year ending 31 March 2005.

4. A copy of this Circular is being forwarded to the Registrar of Cooperative Societies / Directorate of Cooperative Audit of your State/Union Territory with a request to advise the statutory auditors of SCARDBs/PCARDBs to verify compliance with the revised guidelines at the time of annual audit commencing from the year 2004-05 and certify as regards adherence to the norms in the audit reports.

5. Please acknowledge receipt of this Circular to the Regional Office of NABARD. Clarifications and guidance, if necessary, for implementation of the revised norms will be provided by our Regional Office.

Yours faithfully,

Sd/-
(D. B. Gore)
 Chief General Manager